

ICC Docket No. 12-0512**The Peoples Gas Light and Coke Company's Response to
Staff Data Requests CB 2.01-2.02****Dated: September 25, 2012****REQUEST NO. CB 2.02:**

Peoples Gas is proposing to bifurcate S.C. No. 1 Small Residential class into heating and non-heating classes. The Commission's Order in Docket No. 11-0280/11-0281 (cons.) states: "Therefore in their next rate case, we direct the Companies to present an ECOSS to distinguish between low use and high use S.C. No. 1 customers. Such proposals may include, without limitation, a rate design including a demand charge or bifurcation of the S.C. 1 class into heating and non-heating classes or some other rate structure that better reflects customer class homogeneity to bring each group's bills more into line with their respective cost of service."

Please answer the following with respect to the Commission's directive for the S.C. No. 1 Small Residential Class:

- a) Please explain how the Company determines whether a S.C. No. 1 customer is a heating or non-heating customer. Give specific details on how and what the Company uses to make this determination.
- b) How long has the Company kept separate data for heating and non-heating customers?
- c) Please explain how bifurcating the S.C. No. 1 class into heating and non-heating accomplishes the goal of providing a rate design that better reflects customer class homogeneity to bring each group's bills more in line with their respective cost of service.
- d) Did the Company consider any other proposal such as demand charge or some other rate structure that better reflects customer class homogeneity to bring each group's bills more into line with their respective cost of service? If so, please provide details of the options considered. If not, please explain why other proposals were not considered.
- e) How long has the Company kept separate cost of service data for the heating and non-heating classes?
- f) Please explain how the Company separated the cost of service into both heating and non-heating allocators. Give an explanation of how the allocators for each class were determined.
- g) Please explain why the bifurcation of the S.C. No. 1 Small Residential Class into heating and non-heating is a better representation of cost to serve compared to leaving the class combined.

RESPONSE:

- a) The Company maintains heating and non-heating indicators for each Service Classification (S.C.) No. 1 customer account in its customer information system, Cfirst. Customers who have gas-fired space heating equipment installed on their premises are classified as heating customers. Customers without gas-fired space heating equipment but who have other (non-heating) gas-fired equipment, such as water heaters, clothes dryers, ovens, and ranges, installed on their premises are classified as non-heating customers. Customers with both gas-fired space heating

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equipment and other non-heating gas-fired equipment are classified as heating customers.

Service Classifications and heating or non-heating indicators are established or verified during the turn-on process based on information provided by the customer or gathered by field technicians during a turn-on or inspection, if required.

- b) Cfirst became operational on February 14, 2000. Separate heating and non-heating indicators, which were also components of Cfirst's predecessor, OLCAS, were transitioned over to, and are still maintained in, Cfirst.
- c) Customers who use gas for non-heating purposes share more similar characteristics among themselves than with customers who use gas for heating purposes and vice versa. The Commission's Order in Docket Nos. 11-0280/11-0281 (cons.) (Order, pp. 186-189) discussed why the Commission concluded that distinguishing S. C. No. 1 heating from non-heating customers and/or S. C. No. 1 low use from high use customers would address subclass homogeneity. As the Company's Embedded Cost of Service Study ("ECOSS") no longer combines S.C. No. 1 non-heating customers' costs with heating customers' costs, a greater degree of cost homogeneity is achieved within each subclass. Similarly, the Company's proposed rate design derives cost-based rates from the ECOSS, thereby reflecting the same type of homogeneity for each subclass.
- d) No, the Company did not consider a demand charge or any other rate design. Its proposal to bifurcate S.C. No. 1 into heating and non-heating subclasses meets the Commission's directive and directly responds to the Commission's findings in the Order that support its directive.
- e) The Company has kept separate cost of service data since at least 1995, when the ECOSS in Docket No. 95-0032 reflected separate data for heating and non-heating customers. More recently, the Company developed separate cost of service data in its ECOSS in Docket Nos. 07-0241/07-0242 (cons.). In subsequent rate cases, the Company combined heating and non-heating cost data until again developing such data separately in this proceeding.
- f) See response to CB 2.02 a). Please also see PGL Ex. 13.5, pages 4-10 for explanation of how the allocators used within the ECOSS were determined for each class.
- g) Please see the response to CB 2.02 c).